

CITY OF RANDOLPH, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

CITY OF RANDOLPH, IOWA
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CITY OF RANDOLPH, IOWA
OFFICIALS
June 30, 2016

(Before January, 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Farwell	Mayor	January, 2018
Brian Hardy	Council Member	January, 2018
Al Marshall	Council Member	January, 2018
Claude Perkins	Council Member	January, 2016
Dustin Moreland	Council Member	January, 2018
Mike Berger	Council Member	January, 2016
Lora Dankof	City Clerk	Indefinite

(After January, 2016)

David Farwell	Mayor	January, 2018
Brian Hardy	Council Member	January, 2018
Al Marshall	Council Member	January, 2018
Claude Perkins	Council Member	January, 2020
Dustin Moreland	Council Member	January, 2018
Mike Berger	Council Member	January, 2020
Lora Dankof	City Clerk	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Randolph for the period July 1, 2015 through June 30, 2016. The City of Randolph's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor
and Members of City Council

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa, and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Randolph, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Randolph, Iowa and other parties to whom the City of Randolph may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Gwendolyn, Bell, Kynan & Co. P.C.

Atlantic, Iowa
December 30, 2016

DETAILED RECOMMENDATIONS

CITY OF RANDOLPH, IOWA

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Separately Maintained Accounts - The City of Randolph Fire, Rescue, Depot Museum, and Library maintain separate accounting records for its operations. These transactions and resulting balances are not included in the City's accounting records, and one individual has control over each of the accounts for the following areas:

- (1) Receipts - collecting, depositing, posting and reconciling.
- (2) Disbursements - preparing, recording and reconciling.
- (3) Cash - handling, reconciling and recording.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. There should be an independent approval of documentation supporting all disbursements and review of all reconciliations, evidenced by the signature or initials of the individuals and the date performed.

- (C) City Council Meeting Minutes - The following were identified:

- (1) Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be properly signed. Minutes for one of the meetings tested were not properly signed.

CITY OF RANDOLPH, IOWA

Detailed Recommendations - Continued

For the period July 1, 2015 through June 30, 2016

- (2) Chapter 372.13(6) of the Code of Iowa requires the publication of City Council minutes to include the total disbursements by fund, a list of all claims allowed, including the reason for the claim, and a summary of all receipts. Minutes for the four meetings tested did not include total disbursements by fund or a summary of all receipts, and minutes for one of the four meetings tested did not include a list of claims allowed and the reason for the claim.

Recommendation - The City should comply with the Code of Iowa and authorize City Council minutes with proper signature and include the total disbursements by fund, a list of all claims allowed, including the reason for the claim, and a summary of all receipts in the minutes, as required.

- (D) Bank Reconciliations - Bank balances were not reconciled to the book balances recoded in the City's accounting system and the reconciliations were not reviewed by an independent person. Reconciliations attempted for two months during the year were incomplete and the variances of \$2,639 and \$4,542 were not resolved.

Recommendation - The City should establish procedures to ensure bank account balances are reconciled to the general ledger balances monthly and the reconciliations should subsequently be reviewed by an independent person. Variances, if any, should be reviewed and resolved timely.

- (E) Monthly Financial Reports - The Clerk's monthly financial reports are not being prepared or provided to the City Council. Fund balance by fund is not being properly maintained.

Recommendation - To provide better financial information, the monthly financial reports should be prepared and reviewed with the City Council. The reports should include the beginning balance, receipts, disbursements, and ending balance for each fund and a budget vs. actual comparison.

- (F) Chart of Accounts - The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation - To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (G) Annual Financial Report - The Annual Financial Report (AFR) beginning and ending fund balances and intergovernmental receipts did not agree with the City's accounting records. In addition, the budget amounts reported did not agree with the most recent amended budget.

Recommendation - The City should establish procedures to ensure all amounts of the AFR are accurate and supported by the City's financial records.

CITY OF RANDOLPH, IOWA

Detailed Recommendations - Continued

For the period July 1, 2015 through June 30, 2016

- (H) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (I) Debt Service Payments - The debt service payments for the City's general obligation debt are not being recorded in the proper fund. The payments were recorded in the water fund instead of the debt service fund.

Recommendation - All general obligation debt service payments should be budgeted for and recorded in the debt service function of the debt service fund.

- (J) Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, health and social services, culture and recreation, community and economic development, general government, and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (K) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation - A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review.

- (L) Misposting of LOST Receipts - Two of the Local Option Sales Tax (LOST) receipts totaling \$2,456.73 were misposted as road use tax receipts.

Recommendation - A transfer should be made from the Road Use Tax fund to the General fund to correct the misposting. The City should establish procedures to ensure receipts are recorded to the proper fund.

CITY OF RANDOLPH, IOWA

Detailed Recommendations - Continued

For the period July 1, 2015 through June 30, 2016

- (M) Missing Documentation - One disbursement chosen for testing did not have supporting documentation.

Recommendation - The City should keep documentation to properly support all disbursements.

- (N) Approval and Cancellation of Invoices - The City does not document the approval of invoices to be paid or mark them as "Paid."

Recommendation - The City should document the approval of invoices to be paid by initialing and dating the invoice, and mark each invoice as "Paid."

- (O) Approval of Salaries and Wages - The City has not documented in the minutes the approved salaries and wages for all City employees.

Recommendation - The City should document annually in the minutes the approved salaries and wages for all City employees. In addition, any adjustments to the approved salaries and wages during the year should be documented in dollar amounts and not just a percentage change.

- (P) Approval of Time Sheets - The City's employees prepare time sheets to document hours worked for payroll; however, the time sheets are not reviewed and approved prior to the payroll being paid.

Recommendation - The City should document the approval of the timecards by initialing and dating the time cards.

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